

Background Paper
Form 990-EZ, Short Form Return of Organization Exempt From Income Tax
Overview of 2008 Form, Schedules and Instructions
September 10, 2008

What's New. Unlike Form 990, which was extensively redesigned for 2008, the Form 990-EZ (2008) is mostly unchanged. The dollar amounts for Form 990-EZ filers have been increased, however, to allow many more organizations to file Form 990-EZ, in lieu of Form 990, for 2008 and later years. The 2008 Form 990-EZ is designed to obtain information previously required by the 2007 Form 990-EZ, but is updated to include new schedules from the redesigned Form 990, which replace previously unstructured attachments.

The 2008 Form 990-EZ now consists of a four-page core form that must be completed by every organization that files the Form 990-EZ. A new Part VI, to be completed only by section 501(c)(3) organizations, was added to accompany the revised Schedule A, *Public Charity Status and Public Support*. The 2008 Form 990-EZ instructions provide the filing organization two options to report compensation for its officers, directors, trustees, key employees and, in the case of section 501(c)(3) organizations, its five highest compensated employees. See **Significant Changes to the Instructions** below.

Beginning with 2008, Form 990-EZ contains up to seven schedules to be completed by certain types of organizations or those that conduct certain activities. The 2008 Form 990-EZ schedules include the following:

- Schedule A, *Public Charity Status and Public Support* (to be completed by section 501(c)(3) organizations);
- Schedule B, *Schedule of Contributors* (largely unchanged from 2007);
- Schedule C, *Political Campaign and Lobbying Activities* (see lines 46 and 47);
- Schedule E, *Schools* (see line 48);
- Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities* (see line 6a);
- Schedule L, *Transactions With Interested Persons* (see lines 38b and 40b regarding Parts I and II); and
- Schedule N, *Liquidation, Termination, Dissolution or Significant Disposition of Assets* (see line 36).

New Schedules A, C, and E require information previously required by the 2007 Form 990-EZ, Schedule A. For Form 990-EZ filers, Schedules G, L and N request information previously required to be provided in the form of unstructured attachments.

Filing Amounts and Transition Relief. The gross receipts and total assets amounts for Form 990-EZ filers have been increased for 2008 and later years. Beginning with the 2008 tax year, an organization may file a Form 990-EZ (rather than a Form 990) if it satisfies **both** the gross receipts and total assets tests set forth in this table. These filing amount rules are described more fully in the 2008 Form 990-EZ and Form 990 instructions.

<i>May file 990-EZ for:</i>	<i>If gross receipts are:</i>	<i>If total assets are:</i>
2008 tax year (filed in 2009)	< \$1 million	< \$2.5 million
2009 tax year (filed in 2010)	< \$500,000	< \$1.25 million
2010 and later tax years	< \$200,000	< \$500,000

The increase in Form 990-EZ filing amounts will significantly increase the number of organizations eligible to file Form 990-EZ in 2008 and later years. The IRS estimates that the percentage of organizations eligible to file the Form 990-EZ will increase from 41% in 2007 to 76% in 2008. This increases the number of organizations eligible to file the Form 990-EZ from approximately 205,000 in 2007 to 390,000 in 2008, thereby allowing an estimated 185,000 additional organizations who were not eligible to file the Form 990-EZ in 2007 to file the Form 990-EZ for the 2008 tax year. After the filing amounts are adjusted downward in 2009 and 2010, 68% of the organizations will remain eligible to file the Form 990-EZ in 2009, and 51% will be eligible to file the Form 990-EZ in 2010.

New Part VI. Section 501(c)(3) organizations are required to complete Part VI of the Form 990-EZ. This information was previously required by the 2007 Form and is now requested on the following lines.

- Line 46 – to determine which section 501(c)(3) organizations are required to complete Schedule C, *Political Campaign and Lobbying Activities*, Part I regarding political activities (see 2007 Form 990-EZ lines 37a and 40a).
- Line 47 – to determine which 501(c)(3) organizations are required to complete Schedule C, Part II regarding lobbying activities (see 2007 Schedule A, Part VI-A and VI-B).
- Line 48 – to determine which 501(c)(3) schools are required to complete Schedule E regarding private schools (see 2007 Schedule A, Part V).
- Lines 49a and 49b – added to identify transactions between 501(c)(3) organizations and tax-exempt organizations other than 501(c)(3) organizations (see 2007 Schedule A, Part VII). However, 990-EZ filers are no longer required to provide the details of such transactions.
- Line 50 – added to report compensation of the five highest compensated employees other than officers, directors, trustees, and key employees (see 2007 Schedule A, Part I); the reporting threshold was raised from \$50,000 to \$100,000.
- Line 51 – added to report compensation of five highest compensated independent contractors (see 2007 Schedule A, Parts II-A and II-B); the reporting threshold was raised from \$50,000 to \$100,000.

New Schedule A. Schedule A was significantly revised to focus exclusively on public support and the public charity status of a section 501(c)(3) organization. Other parts of the 2007 Schedule A were moved to Schedules C and E. The new Schedule A also reflects the elimination of the advance ruling process for organizations that are publicly supported. See [Elimination of Advance Ruling Process](#) for a description of these revisions.

Replacement of Certain Attachments with New Schedules. The following unstructured attachments required in the 2007 Form 990-EZ were eliminated or replaced with schedules:

- Part I *Revenue, Expenses, and Changes in Net Assets or Fund Balances*
 - Line 5c – eliminated the attached schedule for sales of non-inventory assets.

- Line 6a – replaced required attached schedule with Schedule G, Parts II and III, if gross revenue from special events and gaming activities exceeds \$15,000.
- Part V *Other Information*
 - Line 36 – replaced required attached schedule with Schedule N.
 - Line 38b – replaced required attached schedule with Schedule L, Part II.
 - Line 40b – replaced required attached schedule with Schedule L, Part I.

Other Changes to the Form. Lines 44 and 45 were added to remind sponsoring organizations of donor advised funds, and certain section 512(b)(13) controlling organizations, that they must file Form 990 instead of Form 990-EZ (see instructions to lines 44 and 45).

Significant Changes to the Instructions. The Form 990-EZ instructions are no longer combined with the Form 990 instructions, although the General Instructions and Appendix of Special Instructions are nearly the same for both forms. Several of the General Instructions were moved to the Appendix or eliminated.

- General Instruction A clarifies that organizations that claim tax-exempt status but have not yet applied for or been recognized as exempt must file Form 990-EZ or Form 990.
- General Instruction F explains that amended Form 990-EZ returns now require an attachment describing the amendments.
- Schedule I for grants now has a \$5,000 threshold per grantee, and no longer requires the names of grantee individuals (see the line 10 instruction).

Compensation: An organization may choose one of the following methods (Option 1 or Option 2) when reporting compensation of their officers, directors, trustees, key employees, and five highest compensated employees. This choice allows the organization to continue to use the compensation reporting method it used in prior years, or adopt a simplified version of the compensation reporting implemented by Part VII of the new Form 990. An organization filing Form 990-EZ will not need to complete Schedule J, which may be required for an organization that completes Form 990, regardless of whether it chooses Option 1 or Option 2. Whichever method the organization selects for 2008, it must apply it consistently for all officers, directors, trustees, key employees, and five highest compensated employees, and it must continue to use the same method for all future tax years.

- Option 1, a simplified version of the new 2008 Form 990 method of compensation reporting, requires calendar-year compensation reporting and is based on Form W-2 and Form 1099-MISC reporting.
- Option 2 is essentially the 2007 Form 990-EZ method of compensation reporting.